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***Redesigning the governance of employment policies  
- Decentralised centralisation in municipal jobcentres***

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## **1. Introduction**

What mode of governance and implementation structure does it take to implement work-first policies? This relationship between what we label operational and formal policy reform is relatively novel in the field of research on employment policies. The primary ambition of this paper is to give some insights into an answer by reviewing recent Danish experiences with reforms of the content and governance of employment policies.

Danish experiences are not unique, since a number of countries are currently undertaking major reforms of the governance and implementation of employment policies. The most important operational reforms include the creation of single gateways (one-stop shops), the introduction of new public management techniques and instruments, the contracting out of public employment services and the decentralisation of service delivery to sub-national authorities. Although such reforms are often put forward by decision-makers as "technical" and "a-political" (cf. Brodtkin 2006: 4), we argue that they have often fundamental and wide-ranging implications for service delivery agencies, front-line workers and the unemployed.

The article proceeds by examining the analytical relationship between formal and operational policy reform within the field of employment policies. Subsequently, we review the relationship in a specific case (Danish employment policy) in order to understand the rationales behind, the dynamics within and the implications of the relationship between formal and operational policy reform.

## **2. Formal and operational policy reforms in employment policies**

Although the distinction between formal and operational policy draws on the well-known distinction between policy and administration, it is not identical.<sup>1</sup>

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<sup>1</sup> In traditional application, policy refers to the policymaking process; deciding policy alternatives and setting policy objectives, while administration refers to the neutral execution of these policy objectives by a loyal cadre of civil servants. Although implementation theories studies the "missing link" between policy and administration (Hargrove 1975) and tend to abandon the clear distinction between policy and administration, it still tend to focus more on the implementation of policy objectives and policy problems than operational changes in service delivery mechanisms and implementation structure.

Formal policy reforms, like the introduction or changes of the substance of active labour market policies, activation programs and workfare policies, have been studied extensively (Lødemel & Trickey 2001; Peck 2001; Goul Andersen et. al 2003). Until recently, researchers tended to focus on substantial changes in policy design and content (programs, instruments, and services). As active labour market and workfare policies were widely disseminated by the OECD and the EU in the 1990s (OECD 1994; European Commission 1993), researchers responded by studying the rationales, processes, implications and classifications of new instruments, schemes and programs (cf. Jessop 1993; Lødemel & Trickey 2001; Peck 2001; Torfing 1999, 2004; Larsen et. al 2001, Bredgaard et. al 2003; Barbier 2004). The knowledge about what types of governance and implementation structures it takes to change from passive to active labour market policies was more scattered and unsystematic (Considine 2001; Berkel forthcoming).

During and especially after the (intentional) transformation from passive to active labour market policies in a number of OECD-countries, wide-ranging reform of operational policies have been introduced in the same countries. As Berkel and Borghi states: *“It is no exaggeration to state that a ‘wave’ of welfare reforms aimed a substantive changes in social policies has been followed by a second reform wave aimed at reorganising the institutional structures through which service provision take place”* (Berkel & Borghi 2008: 333). Despite country variations, the stated objectives of these operational policy reforms are often similar: To create a more cost-efficient, effective, costumer-oriented and un-bureaucratic service delivery and implementation structure.

The governance mechanisms for achieving these objectives often comprise the creation of unified and simplified implementation units (e.g. jobcentres, one-stop-shops, single gateways), the contracting out of the public employment services (quasi-markets), the decentralisation of operational responsibilities to sub-national entities (e.g. regions, local governments, non-profit sector), and the strengthening of new public management instruments and techniques in the running of government (e.g. contract management, performance measurement, benchmarking, management by objectives, quality management). That is, the introduction of new ways of “doing policy” as a process of reforming the institutional arena of management, organisation, implementation and delivery of programs and services. This wave of operational policy reform is now evident in a number of OECD-countries, for instance Denmark, the Netherlands, Sweden, Germany, France, Belgium, the U.K., Australia, and the USA (cf. Thuy et. al 2001; Bredgaard & Larsen 2007, 2006; Sol & Westerweld 2006; Considine 2001).

Operational policy reforms go far beyond employment and social policies, and involve the public sector in its entirety. At the societal level, the reforms reshape relations between various state institutions, between the state and the market, between the state and the civil society, and between citizens and the market (Clarke & Newman 1997; Daly 2003). At the operational level, which we will focus on in the following, the reforms refer to new ways of steering and running public institutions (see table below).

*Table 1: Formal and operational policy reforms in employment policy*

	<b>Formal policy</b>	<b>Operational policy</b>
Definition	The content (substance) of legislation, programs, schemes and instruments for delivering benefits and providing services	The governing of the implementation structure for administration of benefits and provision of services
Indicators	Changes in entitlements, rights and responsibilities, target groups, instrument, programs and schemes	Changes in inter-agency cooperation, decentralisation, purchaser-provider split, new public management techniques and instruments, introduction of new or reorganisation of old organisations
Dominant research tradition	Labour market and social policy research	Governance and new public management research, implementation studies

Sources: Daly 2003; Berkel & Borghi 2008, Berkel forthcoming.

Traditionally, labour market policy reforms of formal policy and operational policy have been studied in relatively isolation from each other (cf. Berkel & Borghi 2007, 2008). Social policy and labour market researchers have mainly focussed on studying and evaluating changes in substantial policy (like programs, instruments, and service delivery), while public management and public governance researchers have studied the steering and implementation structure (organisation and management).

The increasing interdependence between ways of “doing policy” and “policy delivery” makes this academic division of responsibilities and research interests problematic (Daly 2003). As Berkel argues: “*Operational policy reforms not only have consequences for formal policy reforms, the reverse is true as well: formal policy reforms create a need for operational policy reforms*” (Berkel forthcoming). In our case, this implies that the intention to shift the content of employment policies towards work first requires new implementation structures, and that these new structures also impacts on the content of policies (cf. the Danish case below).

Being more recent in adoption, the body of literature on the rationales, dynamics and implications of operational policy reforms is smaller than that of formal policy reforms (for a literature review, see Berkel & Borghi 2008). In the field of employment policy, there are, nonetheless, a number of single-case country studies and a small but growing literature on the comparative dimensions of the reforms and their impacts upon clients, public services and agencies involved in this sector (cf. Considine 2001; Bruttel 2004; Struyven & Steurs 2005; Sol & Westerweld 2005; Bredgaard & Larsen 2005, 2006, 2007; Berkel & Borghi 2007). In this article we review another single-case (employment policy reforms in Denmark). By doing so we illustrate some of the more general questions related to the linkages between formal and operational policy reform, and attempt to draw lessons from the Danish case.

Similarly, Rik van Berkel has studied the relationship between formal and operational policy reform during the transformation from passive to active welfare states in labour market and social policies (Berkel & Borghi 2008, Berkel forthcoming). In this article, we attempt to move one step further by exploring the relationship during the introduction of a sub-species of active labour market policies, namely work-first policies. Equally important questions – which we will not pay attention to in this

article – concerns the outcomes in relation to the users of services and in terms of the effects on the functioning of the labour market and the democratic accountability of new governance structures. In international comparisons – which are not possible either in this paper – important questions about convergence and divergence in governance reforms emerge, also evoking questions about policy transfer and learning.

### **3. New governance and implementation mechanisms in Danish employment policy**

The concept of governance is difficult to define and used in a variety of ways in the booming literature (cf. Daly 2003). At its most simplistic, governance is the anti-thesis of government; the hierarchical, bureaucratic state apparatus. Governance then includes “new” arenas and levels of government above, beyond and below the nation-state. In the literature new modes of governance like networks, collaboration and partnerships are familiar examples (cf. Rhodes 1997; Pierre 2000; Kooiman 1993, 2003).

We do not, however, adhere to the de-contextualised and universalising notion of a general shift from government to governance, but insist like Newman (2001, 2007) that the transformation of welfare states involves “*reordering of a number of different regimes of power that are overlaid on each other in complex ways, producing tensions, ambivalences and points of disjuncture*” (Newman 2007: 368). Operational policy reforms create new tensions and contradictions between the different modes of governance, and empirical realities are seldom located neatly in ideal-typical categories, but rather in different hybrids and mixes. We, therefore, aim at studying the concrete “governance mix” emerging from operational policy reforms in employment policies.

In the Danish case of employment policy reform the most important reforms of the administration and implementation of policy delivery are the integration of service delivery through new local jobcentres, and the contractualisation of the public employment service.<sup>2</sup> These reforms are intersected by a new central-local relationship creating new tensions and balances between (re)centralisation and decentralisation. We begin the case presentation by identifying the formal policy transformation towards a work first approach, and then analyse how it is related to and impacts upon operational policy reforms.

#### *3.1. Changing policy content towards work-first*

In international comparisons, Danish labour market regulation is quite unique. Even if the welfare state follows the Scandinavian traditions of universal services and benefit provision and the public sector is large in international comparison, the labour market has traditionally been characterised by limited state intervention (Larsen 2002; Bredgaard et. al 2005, 2006). The labour market is liberal in the sense that the state does not, in principle, intervene in the voluntary collective bargaining of labour market organisations (trade unions and employers associations) and job protection for ordinary employees is weak (Madsen 1999; Jørgensen 2002). This has created a special relationship between a flexible labour market with high job-to-job mobility and a relatively generous social security system – often labelled Danish “flexicurity” (Madsen 1999, 2003).

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<sup>2</sup> Since the implications of the contracting out of the public employment services in Denmark have been reviewed in a number of articles (Bredgaard & Larsen 2008, 2007, 2006, 2005; Bredgaard 2008), we mainly focus on the creation of local jobcentres in this article.

Since the early 1990s, active labour market and educational policies for the unemployed have grown in importance as the third corner in a “golden triangle” (Madsen 1999; Bredgaard et. al 2005a). Active labour market policies have two basic functions: to motivate the unemployed to take and seek vacant jobs (a deterrence effect), and to help the unemployed that are not capable of finding a job on their own (a qualification effect). Danish policy-makers have increasingly prioritised the motivation effect above the qualification effect, implying that employment policies have gradually shifted from a human capital to a work-first approach (cf. below). This is evident from the successive legislations on employment policies during the late 1990s and the beginning of the new century.

Despite the gradual convergence of formal policy towards activation in both labour market and social policies, the mode of governance remained separated in a two-tier benefit system and a two-tier implementation system. Active labour market policy was mainly reserved for unemployed persons with unemployment insurance entitlements, while social policy was reserved for uninsured persons on various types of social assistance (social benefits, disability benefits, rehabilitation etc.). While labour market policy was run by the central government in close consultation with the social partners (trade unions and employers association), social policy was mainly the responsibility of local governments (Damgaard 2003).

As a new liberal-conservative government took office in 2001 fundamental changes of the governance and implementation structure followed. The first move was to rename labour market policy to employment policy under the formal responsibility of the Minister of Employment. In 2002, the labour market reform “More people into employment” (*Flere i Arbejde*) followed up on recent years reforms moving towards a more profound work-first approach. The new government intended to “close down the activation industry” (especially the purportedly inefficient municipal activation projects and expensive education and training schemes). Rather than supposedly “long-term, inefficient, and expensive” activation programs the objective was to (re)integrate the unemployed as quickly as possible on the open labour market. This also included “making work pay” policies by reducing the economic disincentives of specific groups like immigrants and refugees and stricter sanctions and availability criteria. But also changes of the governance structure were on the agenda. Hence, the reform created a split between purchasers and providers by contracting out services for insured unemployed, and an intention was formulated to construct a new “one-stringed” employment system by integrating the national PES and municipal employment services.

Although several reforms before has changed the balance, this reform is often said to be one of the main pillars in a shift in active labour market policies away from a human-capital approach towards a work-first approach. Although the objective is the same; economic self-sufficiency through labour market integration, the two approaches are fundamentally different (cf. table 2).

Table 2: Approaches to formal policy reform

	<i>Active labour market policy</i>		<i>Passive labour market policy</i>
<b>Approach</b>	<b>Work first</b>	<b>Human Capital</b>	<b>Social security</b>
<i>Strategy</i>	Disciplining	Integration	Security
<i>What is the main problem?</i>	Lack of economic incentives and motivation	Lack of competences and qualifications	Lack of jobs and lack of basic income
<i>Where is the problem?</i>	The supply side	The supply side	The demand side
<i>What is the solution?</i>	Stimulating economic incentives to “make work pay”	Enhancing competencies and qualifications	Decent level of income support
<i>Motivation of target group</i>	Extrinsic	Intrinsic	None
<i>Entitlements for income maintenance</i>	Conditional upon duty to work or participate in activation programs	Conditional upon improvement of work capacity	Unconditional and universal benefits
<i>Program goal</i>	Job as quickly as possible	Improve work and earning capacity	Improve quality of life
<i>End goal</i>	Self-sufficiency through labour market integration		Social security and equity

### 3.2. The construction and substance of new local jobcentres

What kind of mode of governance and implementation structure does it take to implement this work-first approach in employment policy? Seen from a designers perspective, the local municipalities was one of the major obstacles, as several studies had shown major differences between the several reforms intentions of introducing work-first elements and the actual implementation (Larsen et. al 2001). Hence, the most important organisational reform was the invention of new local jobcentres in each municipality.

The original intention of the government was to create an entirely municipal implementation structure, which in effect implied a full transfer of responsibilities from the public employment service to local governments, including a unified benefit system.<sup>3</sup> It, however, quickly ran into strong opposition, mainly from the social democratic party and the labour market organisations (trade unions and employers association) that preferred the state PES system in which they traditionally had significant influence over labour market policy formulation, steering and implementation.

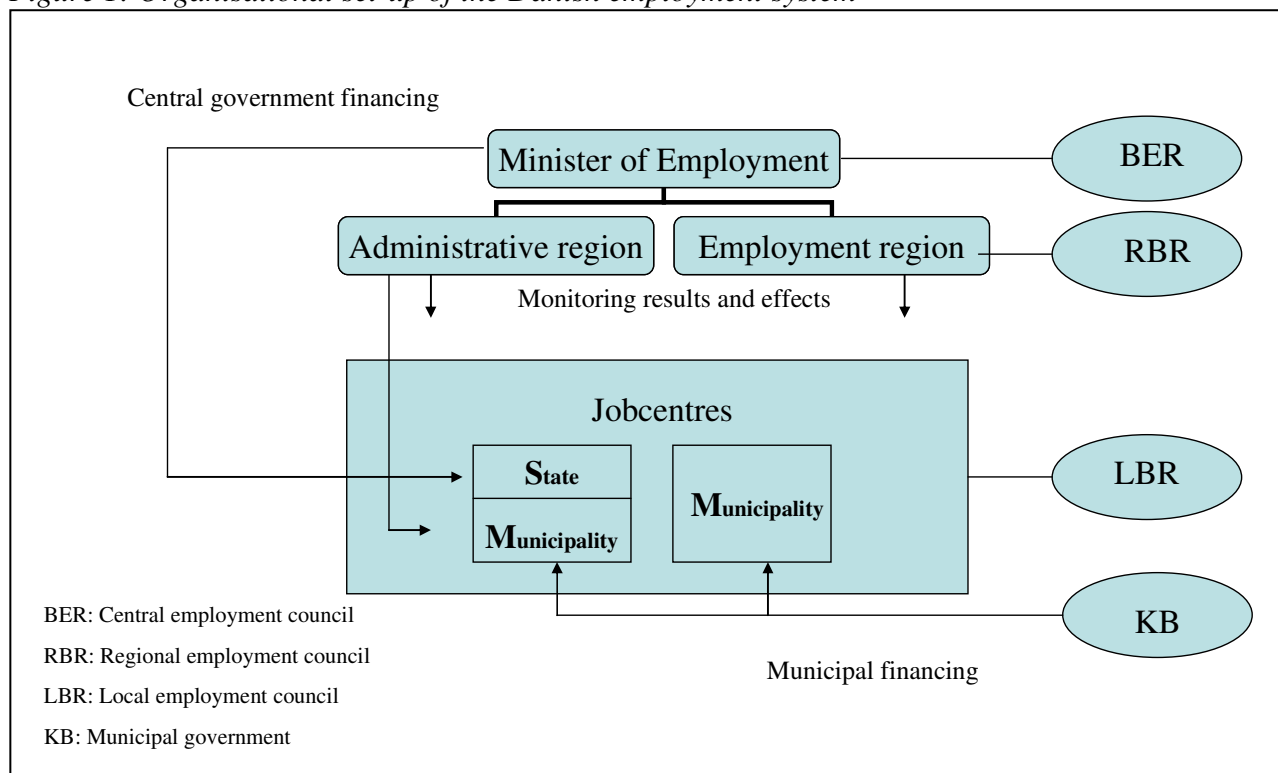
A window of opportunity, however, opened when the government decided to make a local government reform (abolishing the regional level of counties, and transferring authority to both the central government and new, larger local governments). In 2004, the government made its

<sup>3</sup> The amalgamation of the unemployment insurance benefits and social assistance system would in effect also remove benefit administration from the unemployment insurance funds.

intentions on operational policy reform explicit by proposing to establish jobcentres in each municipality, where the focus should be the quickest possible return to the labour market. Jobcentres were to be organised as independent municipal agencies only responsible for job (re)integration, while benefit administration should remain a responsibility of either the local governments (uninsured unemployed) or unemployment insurance funds (insured unemployed). Thus, the government was attempting to unify employment services, but not benefit administration and financing systems (Danish Government 2004).

After political negotiations on local government reform in the spring of 2004, the government concluded an agreement with Dansk Folkeparti (the populist, anti-immigration party that has secured a parliamentary majority for the government since 2001). Although the social democratic party is not supporting the governance reform, the political agreement is formulated in accordance with the concessions given to the Social democrats during the negotiations, and the final agreement is far from the clean municipal cut that the government has announced only two months earlier. The preference for a municipal employment system is only tested out in about 10 pilot-centres out of 91 jobcentres, and will be evaluated by the central labour market administration before 2010. It will then be up to the government to consider whether these pilot-centres should be rolled out in every municipality. The political process, thus, resulted in a hybrid jobcentre system.

Figure 1: Organisational set-up of the Danish employment system



There are two different types of jobcentres. In the majority of municipalities (77) the PES and the municipal social and employment departments are working side-by-side in the same building. The PES remains responsible for services and benefits for insured unemployed, and the municipalities remain responsible for uninsured unemployed – which also means that there are two different executives: one from the PES and one from the municipality (quite similar to the German *Arbeitsgemeinschaften*, ARGE). The remaining 14 jobcentres are run exclusively by local



authorities on a trial-basis. In both types of jobcentres, an organisational split between employment services and benefit administration has been created. Jobcentres are responsible for job (re)integration services; this include visitation, profiling, job-matching, counselling and advice, contact session every 3 months, referrals to wage subsidy schemes, enterprise apprenticeships, education and training, and other activation schemes. Jobcentres are not responsible for benefit administration (benefit payments and sanctions), which is done by either the local government administration or the unemployment insurance funds. Social interventions (like therapy, treatment for various types of abuse) are not the responsibility of jobcentres either, and remain the responsibility of social departments of the municipalities. In the implementation of employment policies, the jobcentres may use external service providers contracted by either the central government administration, the regional employment authorities or tendered by the jobcentre itself (Bredgaard & Larsen 2008; Bredgaard 2008). Currently about 10 % of unemployed are referred to external service providers (private companies, educational institutions, trade unions and unemployment insurance funds etc.), but this percentage is clearly expected to rise in coming years, as the governance reform settles in.

The main official intention behind the jobcentre reform is to ensure equal treatment of target groups irrespective of whether they are insured or uninsured unemployed, and to create a better coordinated and integrated employment services. Another important – although more implicit – objective is to gain strategic control over municipal employment policies to push implementation towards work-first (cf. below).

### *3.3. Implementation of employment policies in local jobcentres*

As mentioned above previous studies show that the implementation of employment policies in the municipalities was more in line with a human capital and social integration approach and not the legislative intention of work-first (Larsen et al. 2001). This implementation “deficit” could be explained by the combination of a high level of local autonomy and a different problem perception of the implementing agents, and thereby the methods and instruments to be used. Implementing agents found that a majority of the target group had so severe problems beside unemployment that the work first approach was futile. Despite a number of work first measures (requiring participation in activation programs in return for benefits, stronger availability requirements, job-seeking activities, and tougher sanctions), the municipalities only implemented this for a minor group of “strong” and (often) young unemployed, while the remaining was treated according to principles in a social integration approach or just kept in passivity. Another important finding was the large and often inexplicable variations among municipalities (Larsen et. al 2001; Bredgaard et. al 2003).

So despite repeated formal policy changes aimed towards work-first, the municipalities in general implemented a different and more lenient approach. This was also mirrored in the way the municipalities organized the employment services in “traditional organizations” with a strong focus on input, norms of the case-worker profession, use of generalists and high discretion for the front-line workers. This organisation of employment services in municipalities, therefore, also made it difficult to change policy implementation towards work-first.

These findings, among other things, gradually led to a growing conviction among dominant policy-makers and especially the central bureaucrats of the labour market administration that the traditional governance and implementation structure was not capable of implementing work-first policies.

In the process leading up to the political agreement on new local jobcentres, the minister of employment was especially outspoken in his criticism of the front-line workers implementing municipal activation policies. They were accused of protecting the unemployed from labour market reintegration by focussing on barriers, social interventions, and childhood-problems of the clients rather than finding the quickest possible route back to the labour market (cf. Stigaard et. al 2006: 10). The gap between the work-first policies of the government and the lenient implementation by local municipalities had to be reduced. At a speech to the administrative executives of the social departments in the municipalities in 2003, the Minister of Employment made it clear that: *“...the employment system must be designed so that we are certain that the rules of the Parliament are complied with [...] No Minister can live with the fact that [s]he is held accountable for something that [s]he has no influence on. We need consistence between central and local priorities”* (own translation, Speech by Claus Hjort Frederiksen, Minister of Employment, Annual meeting of Social Service Directors, 27.10.2003, [www.bm.dk](http://www.bm.dk)).

Likewise, the leading civil servants in the central labour market administration have increasingly recognised these implementation gaps. As the executive head of the Ministry of Employment (Bo Smith) and another leading civil servants (Helle Osmer Clausen) describes it: *“There is often a long way from political agreements on labour market reforms to the practical implementation at the operating levels – i.e. front-line workers in the PES and municipalities, unemployment insurance funds or “other actors [...] On a number of occasions, implementation seems like an ‘black box’.* They go on and focus especially on the implementation gap between central and local government: *“The incentive mechanisms in the municipal part of employment policies are balancing diverse considerations, among other things because of local self-governance and municipal priorities. There is a need to do more research on how the intentions from general reforms are ‘translated’ and run through the systems – from the central political level, through local management in the municipalities, and then to the employment and social agencies, and, in the end, the front-line workers”* (Clausen & Smith 2007, p. 75, 91).

From the position of central bureaucrats in the labour market administration, the jobcentre reform presented *“one of the most significant institutional challenges of employment policy in modern times* (Clausen & Smith 2007: 82). We should not be blind to the self-interest of the central bureaucracy, however. The jobcentre reform provided an opportunity to expand the turf and responsibility of the ministry of employment and central administration. Especially the integration of the PES and municipalities in new local jobcentres implied two opportunities: To escape operational responsibilities in the running of the PES-system, and to gain strategic control over the implementation of municipal employment policies. Thus, the new public management dictum of “steering not rowing” informed the vision of the central bureaucrats, and was introduced through new performance benchmarks, output and outcome measurement, benchmarking and incentive mechanisms. The local government reform opened a “window of opportunity” for introducing what was perceived as a new mode of governance in employment policy, and could be labelled centralised decentralisation: on the one hand gaining a stronger strategic control over the autonomy of local governments and front-line workers, and, on the other hand, shielding the Minister of Employment (and central civil servants) from a notoriously unpopular policy-area by delegation of operational responsibilities to the new local jobcentres (Bredgaard & Larsen 2007).

The interesting question is now: Have the designers succeeded? Can operational reforms be used as the main driver for formal reforms? In spring 2008 we carried out a representative internet-based survey on the implementation of active employment policies in the municipalities (response rate 59

%). The respondents were the municipal executives in the new jobcentres. The main objective was to identify the implications of the new modes of governance in municipal employment policy on the implementation of policies, specifically whether the local jobcentres were transforming the content of policies towards work first. This should make us capable of giving some answers to the question of success or failure for the designers. Furthermore, the new survey made it possible to evaluate changes over time by comparing with the similar survey from 2001 (Larsen et. al 2001; Bredgaard et. al 2003),

It is clear from the new survey that the substance of employment policies has changed towards work-first. In 2001, the most important objectives in municipal implementation towards persons on social security were to take individual consideration and use activation to re-qualify the unemployed by training. In 2008, it has (according to the municipal executives) changed to place demands on the individual and use sanctions in case of non-compliance, and to use activation as a work-test. (cf. table 3 below) In general all indicators of work-first or disciplining (demands/sanctions, work-test and compliance with labour need for manpower) are now considered more important objectives, while all indicators of human capital or integration (upgrading of skills/training, individual consideration and improvement of life quality) are considered less important compared to 2001 (cf. table 3).

*Table 3: The municipal executives prioritisation of objectives for employment services in 2001 and 2008.*

<b><i>Given the fact, that employment services often call for different solutions from case to case, how important do you in general consider these objective for your services? (Prioritise from 1-6 in this way: Indicate the most important with 1, the second most important with 2, etc.)</i></b>		
	Average 2008 (n=50)	Average 2001 (n=176)
To place demands on the individual and use sanctions in case of non-compliance	2.8	3.1
To use activation as a work-test (availability test)	3.0	3.5
To comply with the needs of the labour market for manpower	3.2	4.7
To use activation for upgrading of skills, with weighting of training/education	3.3	2.8
To take individual consideration to comply with the wishes and intrinsic motivation of the unemployed	3.7	2.6
To improve quality of life for the individual	5.0	4.3

The clear majority of municipal jobcentre executives prioritise that persons on social assistance as quickly as possible find work rather than improving their employability in the longer run. The majority of respondents are also prioritising the needs of the labour market for manpower higher than individual requirements and needs of persons on social assistance (cf. table 4)

*Table 4: How does the Jobcentre prioritise the employment policy purposes? Please assess what statement (A or B) that best match the way the jobcentre carry out the tasks (n=57)*

<b>A</b>	<b>Agree with A</b>		<b>Neutral</b>		<b>Agree with B</b>		<b>B</b>
The Jobcentre prioritise that persons on social assistance as quickly as possible find work	51 %	26 %	18 %	4 %	2 %		The Jobcentre prioritise that persons on social assistance improve their employability in the longer run
The Jobcentre prioritise the needs of the labour market for manpower	25 %	26 %	28 %	16 %	5 %		The Jobcentre prioritise the individual requirements and needs of persons on social assistance

Compared to 2001 the municipal perception of the problems to solve in the employment service has also changed. In 2001, the municipal executives replied that the main reason for unemployed not being in activation was that they had so severe problems, that efforts were pointless for this group. They also assessed that 2/3 of the group had problems beside unemployment, and were not ready for work. In 2008, the municipal executive for the jobcentres replied that the main reason for unemployed not being in activation is high administrative workload. They still assess that 2/3 of the unemployed are not ready for work, but knowing that unemployment has fallen for persons on social assistance between 2001 and 2008 and assuming that the most employable have found work, this is certainly also indicating a new problem perception in the municipalities. Hence, a higher number of unemployed are assessed as ready for work. In this connection it is also remarkable, that the huge variations between the municipalities in the assessments of the unemployed has been significant reduced between 2001 and 2008.

The designers of formal policy reform, therefore, seem to have succeeded. Perceptions and strategies of the municipalities have changed. A more profound work-first approach is now being implemented. But what role do operational reforms play for this “success” seen from a top-down perspective? Our study gives some indicators of how operational reforms are related to the implementation of work-first.

One of the most important aspects in this respect is without doubt, the new steering concept applied on the jobcentres. Rhetorically, the local jobcentres have operational responsibility over the implementation of employment policy, but the central government and administration has strengthened monitoring, benchmarking, output and outcome measurement. A new governance system with a new mode of decentralised centralisation has been introduced. The Minister of employment set a number of performance goals. In 2008 this included goals like: Unemployed with more than 3 months unemployment have to be reduced, 25% of the unemployed, that have been “passive” for minimum 1 year must be in job or education, the same group must in average be self-sufficient 15% of the time, the same group must in average be in activation 40% of the time they are unemployed and the jobcentre must secure that the number of young unemployed (under 30 years) is reduced compared to the year before. The local government is then (in cooperation with the local employment council) allowed to include additional local goals. These performance goals are all

written down in a local employment plan (*Beskæftigelsesplan*). The local jobcentres are regularly under supervision and a special yearly audit is made (*resultatrevision*). If the jobcentre does not perform as expected, the minister can (after reports from the local or regional employment council or the regional employment authorities) ultimately contract out the services to private providers. But not only this goal setting system and the threat of sanctions gives the municipality incentives to perform as expected, also a new monitoring system put the jobcentres under pressure to deliver specific performances and results. This system goes beyond the stated goals, and measure a wide range of different activities and effects of the jobcentres. It is furthermore open for the public and designed to benchmark jobcentres with similar conditions (naming and shaming). This system is perhaps even more effective than the ministerial performance goal system in changing behaviour, especially in order to make the jobcentres pursue short term employment effects (cf. table 4). The same effect has been found when employment services are contracted out to external service providers, since payments are measured by short term employment effects (Bredgaard and Larsen 2006, 2008).

Another important way not only to discipline the unemployed but also the actors involved in the implementation of employment services, is the profiling system and the standardization of methods and instruments. Parallel with the new governance system a prescribed profiling system has been introduced (*visitationsværktøjskassen*), involving that the unemployed is categorized into five groups. The municipal executives assess that this not only leads to higher standardization of visitation and methods in the new employment system, but also that the offers given have become more standardized (cf. table 5 and 6).

Table 5. Standardization of measures in the new employment service system

**Have there been changes in services for unemployed after the formation of local jobcentres in the following areas? The offers made have become....**

	Procent
Much more standardized	7,5%
More standardized	39,6%
The same as before	49,1%
Less standardized	0,0%
Much lesser standardized	3,8%
Don't know	0,0%
Total	100,0%

Table 6: Standardization of visitation and methods in the new employment service system

**Have there been changes in services for unemployed after the formation of local jobcentres in the following areas? - Visitation (profiling) and methods have become ...(n=54).**

	Percent
Much more standardized	9,4%
More standardized	71,7%
The same as before	15,1%
Less standardized	3,8%
Much lesser standardized	0,0%
Don't know	0,0%
Total	100,0%

The majority of respondents in the municipalities, therefore, find that services, profiling and methods have become more standardised. This is indicating that varied approaches towards “wicked problems” are translated into more uniform approaches towards “tame” problems (Rothstein 1998), corresponding to the work-first approach.

The third important factor inherent in the operational reforms in Denmark that might explain why policy changes towards work-first can be observed in the municipalities is the organizational distinction between the jobcentre and the benefit- and social policy department in the municipality. The jobcentre is only allowed to work with the single problem of getting people into jobs. The majority of respondents agree that the organizational distinction has led to a stronger job-orientation in implementation, slightly more for persons that are assessed to be readily employable.

*Table 7: How do you assess the following statement: The organisational division between jobcentre and benefit administration has generally led to a more job-oriented implementation?*

	<i>Persons on social assistance assessed to be <u>ready</u> for the labour market</i>	<i>Persons on social assistance assessed to be <u>unready</u> for the labour market</i>
Fully agree	49 %	24 %
Partially agree	18 %	28 %
Neither agree nor disagree	24 %	26 %
Partially disagree	10 %	14 %
Fully disagree	0 %	10 %
Do not know	0 %	0 %
Total (n)	100 % (51)	100 % (51)

The same organisational division has at the same time made it more difficult to implement a holistic approach (63 % of the respondents fully or partially agree on this statement.).

In general the described operational policy reform seems relatively successful in changing perceptions, strategies and implementation of municipalities towards the work first approach.

There are, however, still a number of challenges. One major challenge is the implementation problems that have emerged in relation to a much more bureaucratic organization. Especially the very high demand for documentation makes it very difficult to carry out the main task of giving

service for unemployed. As indicated above the municipal executives reply that the main reason for unemployed not being in activation is high administrative workload. An estimate of how much time the front-line worker use on administration illustrates the problem very well (cf. table 8)

**Table 8: How much of the total work hours for front-line workers are used on administrative tasks (reporting, documentation, etc.)?**

	Procent
76-100%	78%
51-75%	74%
26-50%	9%
0-25%	8%
Do not know	2%
Total	100%

The executives estimate that over 80% of the front-line workers spend 50% or more time on administration. Similarly, time studies carried out by Local Government Denmark (the national association of municipalities) show that 45 minutes of every hour is spend on administration for the front-line workers ([www.kl.dk](http://www.kl.dk)).

Another expected implementation barrier for the new operational reforms was the local politicians. They used to be resistant to central initiatives reducing local autonomy. Our study, however, quite surprisingly indicates that local politicians pay slightly more attention to the performance and fulfilment of the goals set in the employment plan (*beskæftigelsesplan*) than the concrete services given to the unemployed. And furthermore they seem to make only few efforts to set up their on agenda or priorities on the municipal employment services. One explanation might be that the system is in a transitional phase, where the system is going to be evaluated in 2010 in order to decide the future structure, probably on the basis of the performance in the new steering concept. So fulfilment of centrally set goals becomes important. But it might also be explained by the fact that it is easier to relate to fixed goals than concrete services.

Even if the organisation designers have succeeded in driving policy towards more work first through the new system of governance, some of the municipal executives still remains quite critical to the operational reforms. In our survey there are clearly two types of respondents, i.e. two types of municipal jobcentre executives: While about one half of the respondents are positive of the new modes of governance and implementation regime, the remaining is clearly sceptical. So there is still an “implementation barrier” among some of the jobcentre executives. This resistance to work first policies is also clear among front-line workers, although recent research have shown that they are implementing the central policy objectives to a greater extent than they used to do (Beer et. al 2008). A further challenge is to make the fusion between the PES and municipalities work in the majority of jobcentres. Despite intentions of a better coordinated and integrated employment service irrespective of benefit entitlement, the two systems are still functionally separated within the jobcentres (cf. Eskelinen 2008). Despite the fact that functional specialisation and organisational divisions seems to persist within the new jobcentres, it is also clear that the municipalities has the upper hand. The majority of our respondents (56 %) assess that the running of the jobcentres is today most inspired by the (prior) municipal way of organising and implementing the field rather than the way the state PES system used to do it (17 %) (the remaining 28 % do not know). This is only further emphasising the feeling that the joint jobcentres between the PES and municipalities

are not viable in the long run, and that the hybrid jobcentre system is only a midway stop towards a fully municipalised system.

To sum up, the operational reform seems to have been effective in changing the implemented employment services towards work-first in the Danish municipalities. Operational reforms have probably made this possible. But as shown new implementation problems emerge, and there are still challenges ahead for this apparently success of using a new governance mode to change the substance of the implemented employment service.

#### **4. Conclusions**

In this article we have focussed empirically on one element of the relationship between operational and formal policy reform; the implementation of work-first policies in municipal jobcentres. The state PES system has been embedded as the “baby brother” in this new hybrid employment system. External service providers are also used as implementing agents, and the new tendering regime is further pushing the substance of employment policies towards work-first.

In comparing the implementation of municipal employment policies in 2001 and 2008, we found clear indications that the substance of employment policy has changed towards work-first. We found that this transformation is not only related to formal changes of legislation, but also important changes of the mode of governance and implementation structure in employment policy. The most important operational changes to ensure this policy shift towards work-first seem to be:

- The decentralised centralisation including a new central performance goal system and strengthened monitoring, benchmarking, output and outcome measurement giving a stronger focus on short term employment effects
- A standardized profiling system leading to more standardized services
- An organizational split between the jobcentre and the benefit- and social policy departments in the municipalities

There are a number of new challenges emerging from this new governance system:

- A much more bureaucratic organisation with high administrative workload has emerged. The front line workers spend more time on administration than they do on contacts with the unemployed.
- The new governance structure is probably only a midway stop towards something yet undecided. This gives the municipalities (and the local politicians) incentives to be positive co-players in the new steering concept in order to paw the way for a full municipalisation of employment services
- Resistance against the new steering concept can be observed among a substantial part of the municipal executives and among front-line workers.
- The fusion between PES and the municipalities in the jobcentres does not seem to have succeeded so far.

In this case of Danish employment policy the relationship between formal and operational policy appears to be dialectical: The success of formal policy reforms towards work-first have depended on the introduction of operational policy reform, which again seems to have an independent effect on formal policy. In employment policy, Danish policy- and decision makers have increasingly



realised that the implementation process is an important precondition of the success of formal policy changes, and have had a relative success in changing these implementation structures. Although such changes of operational policy are clouded in technical language of improved efficiency, effectiveness, responsiveness and service-orientation, they are clearly political in nature.

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